



IFIAR 2017 Member Profile – PRH

1. Jurisdiction	1.1 Insert the name of the jurisdiction in English: Finland
2. Member¹	2.1 Insert the name of the Member, both in the local language and in English: Patentti- ja rekisterihallitus, tilintarkastusvalvonta Finnish Patent and Registration Office, Auditor Oversight Unit
	2.2 Include relevant contact information, including postal address, telephone numbers, a link to the website and other relevant information: Finnish Patent and Registration Office, Auditor Oversight Unit Arkadiankatu 6 A, (POB 1140) 00101 Helsinki, Finland tel. + 29 509 5000 https://www.prh.fi/fi/index.html
	2.3 Include the basis for establishment of the Member, as well as the legislation or regulations which provide the Member the authority/mandate with respect to audit regulation. Please describe with an appropriate level of detail the mission and responsibilities of the Member with respect to audit regulation: The Auditor Oversight Unit within the Finnish Patent and Registration Office was established by the Auditing Act (1141/2015) ¹ which became effective on 1 January 2016. Within the Auditor Oversight Unit shall operate the Auditing Board, which shall be independent in its decision-making.

¹ In the case where there are two or more regulators from the same jurisdiction that have been approved according to Section 2.3 of the IFIAR Charter, they together are considered as one Member. In that case, regulators are requested to include information for both organizations in the Member Profile.



	<p>Some detailed provisions on the register of auditors and audit firms as well as on the organization of the Auditor Oversight Unit in the Patent and Registration Office and on the oversight has been given by Government decree (1377/2015).</p> <p>According to the Auditing Act, Chapter 7, the Auditor Oversight Unit is responsible for the general direction and development as well as for the oversight of auditors. The Auditor Oversight Unit shall:</p> <ol style="list-style-type: none"> 1) approve auditors and be responsible for the approval system and its development; 2) oversee that auditors act in accordance with this Act, with provisions issued by virtue thereof, and with the Act on Auditing of Public Administration and Finance; 3) oversee that auditors maintain and improve their professional competence and maintain the preconditions for approval; 4) oversee the quality of auditing and be responsible for developing the quality control system; 5) be responsible for the general direction and development of auditing; 6) participate in international co-operation and exchange of information; 7) attend to other duties prescribed to it in the Auditing Act (maintain the Auditor register and professional examinations register <i>inter alia</i>). <p>In addition to what has been prescribed above, the Auditor Oversight Unit shall perform the Finnish Patent and Registration Office's other duties assigned to it (e.g. administrative duties and duties which arise from EU regulation and which require implementation into national law such as market monitoring etc.).</p> <p>The Auditing Board decides on sanctions against auditors and audit firms. The Board decides on rectifications, which can be sought against the decisions made by the Auditor Oversight Unit. The Auditing Board also tends to the general direction and development of auditing.</p> <p>2.4 Have there been any major changes to the Member's organization or to the governing legislation since completing last year's Member Profile?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>If yes, please describe these changes with an appropriate level of detail:</p>
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<p>3. Governing Body Composition and members</p>	<p>3.1 Describe with an appropriate level of detail the current composition of the Member's governing body, including the ratio between Board members who are independent from the audit profession and those who are not. The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.²</p> <p>The Auditor Oversight Unit comprises of staff and the Auditing Board. The director of the Unit and the staff members are civil servants employed by the state and thus independent from the audit profession.</p> <p>The Government shall appoint the Auditing Board for three years at a time. The Board comprises a Chairperson and a Deputy Chairperson and also no less than five and no more than eight other members. In addition, the Board relies on two permanent experts in an advisory role and without Board membership or voting rights. Each member, with the exception of the Chairperson and the Deputy Chairperson, shall have a personal deputy, and each permanent expert shall have a deputy. The Chairperson and the Deputy Chairperson of the Auditing Board shall be appointed on the proposal of the Ministry of Employment and the Economy.</p> <p>The members of the Auditing Board, their deputies or experts for the term until 31 December 2018 are the following:</p> <p>Chairman: Manne Airaksinen, Attorney and Partner, Roschier, Attorneys Ltd</p> <p>Vice Chairman: Mika Ilveskero, Attorney and Partner, Castrén & Snellman Attorneys Ltd</p> <p>Members (Deputies in brackets): Antti Fredriksson, Ph.D, professor, University of Turku, Turku School of Economics (Jukka Mähönen, professor, University of Oslo), Teija Laitinen, professor, University of Vaasa, (Lasse Oulasvirta, professor, University of Tampere), Mervi Niskanen, professor, University of Eastern Finland (Pontus Troberg, professor, Swedish School of Economics), Pekka Pajamo, CFO, Keskinäinen työeläkevakuutusyhtiö Varma (Riitta Palomäki , CFO, Uponor Oyj), Riikka Lamberg, Head of Corporate Accounting, Fortum Oyj (Paula Kupiainen, CFO, Mainio Vire Oy) Kaarina Muurinen, CFO, Vaisala Oyj (Jouni Grönroos, Vice President, Oy Karl Fazer Ab), Jussi Heiskanen, Court of Appeal Counsellor, Helsinki Court of Appeal (Taina Tuohino, Court of Appeal Counsellor), Anders Tallberg, Senior Fellow, Hanken & SSE Executive</p>
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² For the purpose of this Member Profile, the audit profession does not include an individual who is a CPA, Chartered Accountant, or holder of another equivalent qualification, as long as this individual is not employed by or affiliated to a registered audit firm, nor employed by or affiliated to of a professional accountancy body, nor employed by or affiliated to bodies or entities associated with the audit profession.



	<p>Education (Timo Kaisanlahti, Chief Legal Counsellor, Keskinäinen työeläkevakuutusyhtiö Varma)</p> <p>Experts: Kari Lydman, KHT auditor, Lydman Oy Auditing (Jukka Prepula, HTM auditor, Tiliextra Oy), Pasi Leppänen, KHT</p>
	<p>3.2 What are the eligibility criteria / requirements and composition requirements for the members of the governing body?</p> <p><u>Staff of the Auditor Oversight Unit:</u> the director of the Auditor Oversight Unit must be independent from the audit profession. He or she must have thorough knowledge of auditing, good communication skills etc. The requirements are prescribed by the Finnish Patent and Registration Office.</p> <p><u>The Auditing Board:</u> According to the Auditing Act all members and their deputies of the Auditing Board must have thorough knowledge of auditing. At least two members must have a higher university degree in law, other than Master's Degree in International and Comparative Law. The Board as a whole must possess other expertise required by its duties. Permanent experts must be practicing auditors. An auditor, a shareholder of an audit firm or a person holding a similar position, a member of the Board of Directors or a similar body of an audit firm, or a person with an employment or assignment relationship with an audit firm cannot be elected a member of the Board. The majority of the members must be persons, who have not been engaged in the above tasks for at least three years (cooling-off period). The provisions on the members shall correspondingly apply to their deputies. As for composition requirements see section 3.1.</p>
	<p>3.3. Is each member of the governing body independent from the audit profession? The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.³</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>
	<p>3.4 If the answer to question 3.3 is "No", is the majority of the members of the governing body non-practitioner?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>

³ Ibid.



	<p>3.5 If the answer to question 3.3 is “No”, which safeguards are in place to provide for the Member’s overall independence from the audit profession?</p> <hr/> <p>3.6 Is there a restriction or recusal process that is applicable to members of the governing body of the Member who are current or former auditors/practitioners?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Does this include a “cooling-off” period for former auditors?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If yes to either of the above, please describe:</p> <p>Members of the governing body may not be practicing auditors. In addition there is a statutory cooling-off period. The statutory cooling-off period for is three years for the Auditing Board members and their deputies as well as for Chairperson and a Deputy Chairperson.</p> <p>The same cooling off-requirement is applied rigorously on the director of the Auditor Oversight Unit. The director of unit has decision making powers.</p>
	<p>3.7 Other than the governing body, are members of the profession involved in the Member’s organization (e.g., in a management or inspection function)?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If yes, please describe their role with an appropriate level of detail:</p> <p>Two practicing auditors must be nominated as experts to advise the Auditing Board. Their role is limited and they have no voting rights. Except for cases where there may be conflicts of interest, the experts have a right to obtain the relevant documents related to the issues, which the Auditing Board decides. The experts can provide their opinion to bring expertise to the discussions within the Board.</p> <p>In addition, field work of inspections of non-PIE sector auditors are delegated to a number of practicing auditors under supervision of the Auditor Oversight Unit. The inspectors don’t have decision making power.</p>



4. Funding Arrangements	<p>4.1 Describe the main funding arrangements of the Member, including the setting and approval of the budget and the fees, if any:</p> <p>The oversight system is funded by mandatory fees collected from the auditors. The funding and fees are based on a special law on auditors' annual fees (1512/2015) and a degree of the Ministry of Employment and the Economy (696/2014). The Finnish Patent and Registration Office shall compose the budget.</p> <p>The anticipated total budget for the Auditor Oversight Unit in year 2017 is ca 2 Million Euros.</p> <hr/> <p>4.2 Is the funding free from undue influence by the profession?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Please describe with an appropriate level of detail the safeguards in place to prevent undue influence by the profession:</p> <p>The funding and mandatory fees are based on a special law on auditors' annual fees (1512/2015) and a degree of the Ministry of Employment and the Economy (696/2014).</p>
5. Inspection System	<p>5.1 Does the Member have the responsibility for recurring inspections of audit firms undertaking audits of public interest entities (PIEs)?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <hr/> <p>5.2 Is this responsibility undertaken directly or through oversight of inspection conducted by another organization?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <p>If through oversight of another organization, please describe with an appropriate level of detail the other organization, its relation to the Member, its role, and the arrangements for oversight:</p> <hr/> <p>5.3 Please describe with an appropriate level of detail the requirements and practices regarding the frequency of inspections:</p> <p>Inspections are led and organized by director of the Auditor Oversight Unit and its independent quality assurance team, which comprises of the staff of the Auditor Oversight Unit. PIE sector auditors and audit firms are inspected by the quality assurance team.</p>



	<p>Non-PIE sector inspections are organized and lead by the Head of the Auditor Oversight Unit and its quality assurance team. Professional auditors are used as inspectors (peers). The Auditor Oversight Unit sets the criteria of good audit quality and also arranges yearly training for the inspectors. The inspectors do the preparatory work (e.g. collecting documents) and the field work of the inspection. They then report to the Auditor Oversight Unit which takes the decisions, some of which can be sought rectification from the Auditing Board. PIE sector auditor and audit firms – minimum inspection cycle 3 is years. Non-PIE sector auditors and audit firms – minimum inspection cycle is 6 years.</p>
6. Audit and Financial Market	<p>6.1 Provide the number of audit firms subject to inspections. Include an indication of the number of public interest audits (PIEs) and other audits that fall under the Member's oversight or mandate.</p> <p>There are 73 audit firms subject to inspections. 13 of these audit firms audit PIEs. There are 438 PIEs in Finland.</p> <p>It is estimated that there are ca 130 000 statutory audit engagements annually which fall under PRH's oversight mandate.</p> <p>6.2 What are the sizes and market shares of each of the largest audit firms in the Member's jurisdiction?</p> <p>In terms of number of PIE audit clients:</p> <p>Deloitte 2 % EY 19 % KPMG 48 % PWC 17 %</p> <p>Source: Market Monitoring Report 2015, PRH</p>
7. Main Other Responsibilities of the Member <u>within</u> the area of Audit Oversight	<p>7.1 Please indicate whether the Member has responsibility for tasks other than Inspections within the area of Audit Oversight:</p> <p><input checked="" type="checkbox"/> Registration/Licensing <input type="checkbox"/> Audit and/or Ethics Standard Setting <input type="checkbox"/> Permanent Education of Auditors <input checked="" type="checkbox"/> Enforcement <input checked="" type="checkbox"/> Other: Arrangement of professional examinations, general direction and development of auditing</p>



	<p>7.2 If the Member has the responsibility for <u>Registration/Licensing</u>, please indicate whether this responsibility is undertaken directly or through oversight of Registration/Licensing conducted by another organization?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <p>If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession⁴ are involved in decision-making). Also give a description of the powers of the other organization and procedure applied, as well as the role of the Member in these procedures.</p> <p>The Auditor Oversight Unit of the PRH shall arrange professional examinations in Finnish and in Swedish according to the Auditing Act, Chapter 6.</p> <p>The HT examination is the basic professional examination in auditing. A person who has passed the HT examination can specialize</p> <ul style="list-style-type: none"> • in audits of public interest entities (PIE) by passing a KHT examination and/or • in audits of public administration and finance by passing a JHT examination. <p>The director of the Auditor Oversight Unit shall decide whether a candidate has passed the examination and decide on his/her registration in the public auditors' register. There are no practitioners involved in the decision making.</p> <p>7.3 If the Member has the responsibility for <u>Audit and/or Ethics Standard Setting</u>, please indicate whether this responsibility is undertaken directly or through oversight of Audit and/or Ethics Standard Setting conducted by another organization?</p> <p><input type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <p>If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession⁵ are involved in decision-making). Also give a description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</p>
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⁴ For the purpose of this Member Profile, the audit profession does not include an individual who is a CPA, Chartered Accountant, or holder of another equivalent qualification, as long as this individual is not employed by or affiliated to a registered audit firm, nor employed by or affiliated to of a professional accountancy body, nor employed by or affiliated to bodies or entities associated with the audit profession.

⁵ Ibid.



	<p>7.4 If the Member has the responsibility for <u>Permanent Education of Auditors</u>, please indicate whether this responsibility is undertaken directly or through oversight of Permanent Education of Auditors conducted by another organization?</p> <p><input type="checkbox"/> Directly <input checked="" type="checkbox"/> Through Oversight</p> <p>If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession⁶ are involved in decision-making). Also give a description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</p> <p>The Auditor Oversight Unit shall oversee that the auditors and audit firms maintain their professional competence and other qualifications required for approval. The Auditor Oversight Unit establishes the criteria for permanent education of auditors, but it does not delegate or authorize any specific organization to conduct the education task.</p> <hr/> <p>7.5 If the Member has the responsibility for <u>Enforcement</u>, please indicate whether this responsibility is undertaken directly or through referral to other organization(s)?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Referral</p> <p>If through referral, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession⁷ are involved in decision-making). Also give a description of the enforcement powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</p> <hr/> <p>7.6 If the Member has the responsibility for other tasks within the area of Audit Oversight, please describe with an appropriate level of detail:</p> <p>The Auditor Oversight Unit shall oversee that the auditors and audit firms maintain their professional competence and other qualifications required for approval. The Auditor Oversight Unit shall oversee that the auditors and audit firms operate in accordance with the Auditing Act (1141/2015) and the PIE-auditors and PIE audit firms in accordance with the EU Regulation (537/2014) on specific requirements regarding statutory audit of PIEs.</p>
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⁷ Ibid.



8. Main Other Responsibilities of the Member <u>outside</u> the area of Audit Oversight	<p>8.1 Please describe with an appropriate level of detail whether the Member has responsibility for tasks outside the area of audit oversight such as Supervision of Financial Reporting or Securities Regulation:</p> <p>According to the Auditing Act, Chapter 7, the Auditor Oversight Unit is responsible for the general direction and development. The Auditor Oversight Unit shall approve auditors and be responsible for the approval system and its development. The Auditor Oversight Unit is responsible for the general direction and development of auditing. The Auditor Oversight Unit participates in international co-operation and exchange of information. The Auditor Oversight Unit maintains the Auditor register and professional examinations register <i>inter alia</i>.</p> <p>In addition to what has been prescribed above, the Auditor Oversight Unit shall perform other duties assigned to it, e.g. administrative duties and duties which arise from EU regulation and which require implementation into national law such as market monitoring.</p>
9. Major Events and Activities	9.1 Describe any recent major events and activities:

